

AUDIT REPORT

FOR THE PERIOD

01/04/2019 TO 31/03/2020

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**NAGAR PARISHAD**  
**BADARWAS, DISTT SHIVPURI (M.P)**

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AUDITOR

LUNAWAT & SOMANI
CA. SATYAPRAKASH AGRAWAL

Chartered Accountants
Behind Allahabad Bank, Near Arya Samaj Mandir
Arya Samaj Road, Shivpuri
Phone No. 07492-356007
Mob . No. 9425728289



LUNAWAT & SOMANI

CHARTERED ACCOUNTANTS

Office : Behind Allahabad Bank, Arya Samaj Road, Shivpuri (M.P.)
Tel. : 07492-401985 | Mob.:9425728289 | Email : caspagrawal14@gmail.com

INDEPENDENT AUDITOR'S REPORT

To
Joint Director
Directorate, Urban Administration & Development, MP.

Report on the Financial Statements

We have audited the financial statements of **Nagar Parishad, Badarwas Distt-Shivpuri(MP)** which comprise the Receipts & Payment Account and Income & Expenditure Account for the year ended as at 31.03.2020.

Management Responsibility for the financial statements

Management of the Nagar Parishad is responsible for the preparation of these Financial Statements that give true and fair view of the receipt and payment in accordance with Urban Local Bodies Act and Madhya Pradesh Municipalities Act, 1961. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

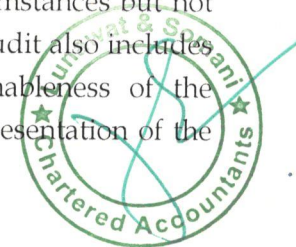
Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit.

We have taken into account the provisions of the Act, the accounting standards and matters which are required to be included in the auditor's report under the provisions of the relevant act.

We have conducted our audit in accordance with standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The Procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for expressing an opinion on the effectiveness of the entity internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for qualified audit opinion.

Basis for Qualified Opinion

The Nagar Parishad has prepared its financial statements on the basis of single entry principle although the double entry principle has made mandatory to all urban local bodies since 01-04-2013. As it is practising single entry system of accounting balance sheet could not be formed as explained to us by the parishad. The Expenses were booked in cash book by the name of Taxes such as Commercial Tax, TDS, Labour Tax etc, these should be booked in their respective expenditure heads. Further there are many omission, commission & totalling errors in cash book.

Qualified Opinion

In our opinion, and to the best of our information and according to the explanation given to us, except for the effects of the matter described in the basis of qualified opinion paragraph, the financial statement give the information required by the relevant act and give a true and fair view in conformity with the accounting principles generally accepted in India:-

1. In the case of Receipts and payments Account, of the Receipts & Payments for the year ended on 31st March 2020
2. In the case of Income & Expenditure Account, of the Excess of Income over Expenditure for the year ended on 31st March 2020

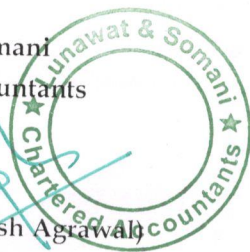
Report on other Legal and Regulatory Requirements

- As required by the order of Joint Director of Directorate, Urban Administration & Development, MP
- Further, we report that:-
 - a. We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of account as required by law have not been kept by the Nagar Parishad Badarwas, so far as appear from our examination.
 - c. The receipt and payment are in agreement with cashier cash book and cash book maintained by the account officer.

For: Lunawat & Somani
Chartered Accountants

(CA. Satyaprakash Agrawal)
Partner

Membership No.:427861
FRN No : 012609C
Place: Shivpuri
Date 02.12.2020



COMMENTS TO AUDITOR REPORT ON THE BASIS OF AUDIT SCOPE

AUDIT OF REVENUE

- Checking of revenue from various source such as Property Tax, Water Tax, Samekit Kar, Education Cess, Rent, Interest and various funds has been done. The revenue receipts are checked on test basis from counter files of Receipt Book and was found satisfactory, all *the receipts are properly recorded in Books and same are deposited in bank on next day* except in case of bank and public holidays.
- Revenue Receipts from counterfoil are checked and found proper and in accordance with the rules. Receipt books are also maintained properly.
- The following errors related to income in the cash book were found:
 1. There is totalling error in connection with the cash book, which has been corrected in the cashbook during the year, which is inappropriate.
 2. The amount which is received directly in the bank account, the same is not being entered in the income register by the Council timely.
 3. No information or records were made available for Quarterly and Monthly revenue targets, so no opinion could be formed on any lapse in revenue recovery during the period. It is advised to have a proper record of Monthly and Quarterly Targets and proper action should be initiated towards the recovery and a separate committee of people should be set to achieve the revenue recovery Targets.
 4. Surplus funds by the Nagar Parishad, Badarwas have not been invested in the form of Fixed Deposits.
 5. The double entry book keeping system is not implemented by the concerned Urban Local Body.
 6. During the audit , on verification of books and store on test check basis it was observed that the books and stock are maintained but not updated on regular basis, same is brought to the notice of CMO, Nagar Parishad, Badarwas, and have assured that now onwards all the books will be updated timely.
 7. Surplus funds by the Nagar Parishad Badarwas have not been invested in the form of short term Fixed Deposits.

AUDIT OF EXPENDITURE

- Checking of expenditure under all schemes has been done.
- All receipts and payments are duly authorized. During the audit, it was found that there was no practice of checking monthly balances which result in omission of entries such as saving bank Interest and Bank charges, thus it is suggested that the balances of cash book should be verified with bank balance on monthly basis.
- There is no one- to - one correlation between the receipt of grant and its corresponding utilization. Further in case of some grants there was no specific usage order (Sanction order) mentioned.



- In Cashbook daily balances of all bank account are not mentioned.
- Cash and bank balance in cash book are not being marked separately, due to which there is no clear description if any day cash is not deposited to bank.

AUDIT OF BOOK KEEPING

- Audit of Scheme Wise Cash book, Stock register, EMD register, Tender Register, Ledger has not been prepared.
- Accounting rules are followed during preparation of Books of accounts however all the books are maintained on single entry system.
- Accounts must be maintained on accrual basis on double entry system as per Madhya Pradesh Municipal Accounting Manual. (MPMAM). Interest on FDR is not accounted on Accrual Basis.
- Internal audit system should also be implemented for proper and timely reporting.
- Annual work plan must be prepared by ULB.
- No register has been formed in respect of the advances given to the council by its employees.
- Fixed Asset register are not maintained by ULB and fixed assets are not numbered physically.

AUDIT OF FDR

- It is been observed that in spite of excess balances in bank, short term FDR has not been made on regular intervals which has resulted in the revenues leakage to the council in the form of FDR Interest.
- FDR register in not properly maintained.

AUDIT OF TENDER

- Tendering Procedure has been followed for awarding tenders but it is being we observed that:
- Tender register is not prepared properly.
- Condition of minimum technical experience in the tender process is not kept by the council, as a result, the council cannot ensure the minimum guarantee in the work done by the council tender.
- Competitive online E tendering procedure is followed for Tenders more than Rs. 2 lakhs.
- Tender Fees, form fees has been charged and EMD and performance guarantee are called by ULB and the same has been accounted properly.
- No cases of Bank guarantees are found during the course of audit.
- No error has been observed in contract termination process.

AUDIT OF GRANTS & LOANS

- Audit of Grant received under different schemes such as 13th vitya ayog, 14th vitya ayog, Mool Bhut, Chungi Shatipurti etc has been done by us.
- Scheme wise Cash books are maintained by ULB and verified by us.



- During the audit we found that Grant Register has been prepared by the Council Properly.
- Diversions of funds are not found during the course of our audit.

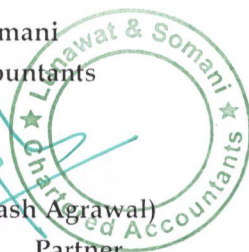
OTHERS

- Statutory compliances are not followed by ULB. TDS, Commercial tax and Labour tax has been deducted and deposited in treasury but returns have not been filed for the same till date.
- Professional tax has been deducted and deposited however no details of return are available.
- The building rent register is not being updated on the basis of the daily register, which, as a result, exact information regarding the building rent recovery can't be obtained from the Building Rent Register. The register used for property tax, consolidated tax, urban development cess and education cess is not being updated on the basis of Daily Collection Register, as a result the exact information related to recovery can't be obtained from the register
- Single entry book keeping system should be migrated into Double entry book keeping system through use of certain accounting software such as TALLY.
- Separate bank registers should be made for each bank.
- The concerned Urban Local Body should close or make operative their non-operative bank accounts.
- Maintenance of registers to be compulsorily followed :-
 - a) Fixed Assets Register
 - b) Advance Tracking Register
 - c) Bank wise Cheque Issue Register
 - d) Grant register along with Sanction Letter.
 - e) Grant Utilization Register

For: Lunawat & Somani
Chartered Accountants

(CA. Satyaprakash Agrawal)
Partner

Membership No.: 427861
FRN No.: 012609C
Place: Shivpuri
Date: 02.12.2020

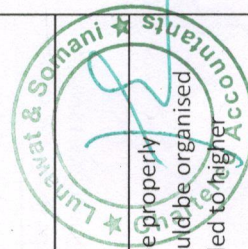


Revised Abstract Sheet for reporting on Audit Paras for Financial Year 2019-20

Name of ULB: Nagar Parishad, Badarwas

Name of Auditor: M/s LUNAWAT & SOMANI (Chartered Accountants)

Sr. No.	Parameters	Description			Observation in Brief	Suggestions
1	Audit of Revenue	Receipts in Rs.				
	राजस्व कर वसूली	Year 2018-19	Year 2019-20	% of Growth		
(i)	संपत्तिकर	789061	1124492	42.51	Collection % is gradually increased as compared to last year, however no targets are provided for comparison. Many people have not been taxed around for equal to or more than 3 to 4 years.	There should be one separate vigilance team for collection and to find out that all the property is being registered and there is timely collection of taxes along with interest. Lok Adalats should be made frequently which will led to higher collection of taxes.
(ii)	समेकित कर				Collection % is gradually decreased as compared to last year, however no targets are provided for comparison. Many people have not been taxed around for equal to or more than	
(iii)	नगरीय विकास उपकर	38500	478153	1141.96	Collection % is increased at good pace as compared to last year, however no targets are provided for comparison.	
(iv)	शिक्षा उपकर	0	0	0.00	Collection % is gradually increased as compared to last year, however no targets are provided for comparison.	
	कुल योग	20000	₹36.461	82.31		
	नगर राजस्व वसूली	847561	1639106	93.39		
(i)	भवन भूमि किराया				Revenue collection process is not proper which led to lower collection of rent during current fiscal year as compared to last year.	Rent register should be properly maintained. Camp should be organised frequently which will led to higher collection of rent.

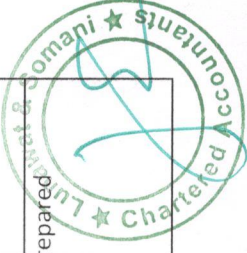


Revised Abstract Sheet for reporting on Audit Paras for Financial Year 2019-20

Name of ULB: Nagar Parishad, Badarwas

Name of Auditor: M/s LUNAWAT & SOMANI (Chartered Accountants)

Sr. No.	Parameters	Description			Observation in Brief	Suggestions
(ii)	जल उपभोक्ता प्रभार	229540	181770	-20.81	This amount is recovered properly.	Water consumption charges should be billed on per unit wise consumption.
(iii)	टोस अपशिष्ट प्रबंधन उपभोक्ता प्रभार	0	0	0.00		
(iv)	अन्य कर / शुल्क	3428247	1427521	-58.36	Amount collected head wise is not been updated in separate head register on daily basis.	Proper head wise register should be maintained properly and one cumulative register so that amount tallies.
	कुल योग	3657787	1658395	-54.66		
	महा योग	4505348	3297501	-26.81		
2	Audit of Expenditure	* Expenditure are recorded in proper head related to Nagar parishad, Narvar. All expenditure is duly recorded with their supporting and are sanctioned by respective authority.			No one to one correlation was found between grant received and expenditure made so no proper bifurcation can be made for allocation of funds to proper Area. No UCs were provided.	All the Voucher and their supporting should be arranged Month wise.
3	Audit of Book Keeping	* Cashbook is not giving details of daily balance of all bank accounts and cashbook is maintained on single system basis.			Separate books should be prepared for fixed assets & advances to employees.	Accounts must be maintained on accrual basis on double entry system as per Madhya Pradesh Municipal Accounting Manual(MPMAM).Internal audit system should be implemented as per work plan.
4	Audit of FDR	* FDR not made for excess amount kept in banks.			It is been observed that usually excess cash is held in banks.	Short term FDR should be made for excess cash held in banks.It will increase revenue income to parishads.
5	Audit of Tenders/Bids	* For amount exceeding Rs. 2 Lacs E-tendering procedure is followed.EMD register is also prepared.			No case of any bank gurantee found.Also parishad in not maintaining tender register properly.	Tender registershould be prepared properly.



Revised Abstract Sheet for reporting on Audit Paras for Financial Year 2019-20

Name of ULB: Nagar Parishad, Badarwas

Name of Auditor: M/s LUNAWAT & SOMANI (Chartered Accountants)

Sr. No.	Parameters	Description	Observation in Brief	Suggestions
6	Audit of Grants & Loans	* Grants are received under different schemes.	It is been observed that grants are received under separate heads but utilization of grant is not proper.	Proper grant register should be maintained along with different schemes. Accounting of each grant should be done separately & proper utilization certificate should be obtained at proper intervals.
7	Incidences relating to diversion of funds from Capital receipts/Grants/Loans to Revenue Nature Expenditure and from one scheme/project to another	* No Diversion of funds found during the course of audit.	No diversion of funds found during the course of audit.	In case there is any diversion of funds than proper file should be prepared and the same would be verified by higher authorities.
8	Any Other			
	a) Percentage of Revenue Expenditure (Establishment, Salary, Operation & Maintenance) with respect to Revenue Receipts (Tax and non tax) excluding Octroi, Entry Tax, Stamp Duty and other grants etc.	Revenue Rec Revenue Exp. . % 20597506/25234084 = 81.62%	Revenue expenditure is more than revenue receipts. In the year 2016-17 balancing amount for that year is utilized in the year 2017-18. There is no bifurcation for the expenditure incurred in the year 2017-18, whether the same is expensed from the balancing amount for the year 2016-17.	Proper records should be maintained in regards of bifurcation. Head wise files should be prepared so that head wise balancing amount can be identified.



Revised Abstract Sheet for reporting on Audit Paras for Financial Year 2019-20

Name of ULB: Nagar Parishad, Badarwas

Name of Auditor: M/s LUNAWAT & SOMANI (Chartered Accountants)

Sr. No.	Parameters	Description	Observation in Brief	Suggestions
	b) Percentage of Capital Expenditure with respect to Total Expenditure	Capital Exp. Total Exp. % 17548718 / 44448442 = 39.48%	expenditure. There is no bifurcation for the expenditure incurred in the year 2017-18, whether the same is expensed from the balancing amount for the year 2016-17 or the amount received in the year 2017-18.	Proper records should be maintained in regards of bifurcation. Head wise files should be prepared so that headwise balancing amount can be identified.
9	Whether all the temporary advances have been fully recovered or not.	* Advances are made to Employees, Contractors & Others.	It is been observed that as parishad is using single entry principle of accounting ,So preparation of any account to determine its outstanding/advance is not feasible.	Parishad should use double entry system of accounting to prepare ledger accounts.
10	Whether the Bank Reconciliation Statement have been regularly prepared.	* Bank Reconciliation statements are regularly prepared.		



NAGAR PARISHAD
BADARWAS, DISTT SHIVPURI (M.P)
RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDING 31st MARCH 2020

LIABILITIES	AMOUNT (Rs.)	ASSETS	AMOUNT (Rs.)
OPENING BALANCE		ADMINISTRATIVE EXPENSES	
Cash at Bank (As per Annexure A)	₹13,391,337	Advertisemnet Expenses	₹447,416
Cash in Hand		Electricity Bill	₹983,559
TAX REVENUE		Deisel Expenses	₹214,232
Property Tax	₹1,124,492	Bank charge	₹660
Sametik Kar	₹478,153	Stationary & Priniting Expenses	₹45,703
Shiksha Upker	₹36,461	Cleaning Pesticides Expenses	₹64,280
ASIGNED COMPENSATION		Vechei rent	₹60,562
Grant from Chungi Chati	₹17,300,005	Legel fees	₹89,000
RENTAL INCOME		Salary	₹17,037,020
Rents	₹49,104	Festival exp	₹94,800
FEES & CHARGES		Repairs	₹509,284
Asthai Vasuli	₹335,350	Water Tankers	₹4,165,303
Bazar bethak	₹107,500	Sarv Siksha Abhiyan	₹305,000
Water Tax	₹181,770	Tent and Other Expenses	₹29,000
Tender fees	₹184,450	Heath Expenses	₹759,951
Swachta kar	₹20,000	Other Expenses	₹428,314
Vived	₹613,051	FIX ASSETS	
Vikash suik	₹114,519	CC Road & Other Construction	₹9,743,341
INTEREST EARNED		Electrical equiptment	₹1,009,773
Interest on Saving A/c and FDRs	₹52,651	Mukyamantri Adho Sarachna	₹6,182,704
DEPOSITS		Furniture	₹98,400
Deposit Received	₹97,600	Awas Yojna	₹514,500
GRANT RECEIVED		DEPSOITS	
Sambal Yojna Grant	₹600,000	Deposit Return	₹10,260
Vadiiya Kar	₹2,221,000	DUTIES & TAXES	
Grant for Road mainatnce	₹4,114,720	TDS	₹1,665,640
Rajya Vith Ayog	₹1,383,000	CLOSING BALANCE	
Niryat Kar	₹680,000	Cash at Bank	₹13,155,700
Sadak marammat	₹2,851,000	(as per annexure B)	
Mratak Sahayta Grant	₹200,000	Cash in Hnad	
Yatri Kar	₹752,000		
Other Grants	₹10,726,240		
TOTAL (Rs.)	₹57,614,403	TOTAL (Rs.)	₹57,614,403

AS PER OUR REPORT OF EVEN DATE ANNEXED

For: LUNAWAT & SOMANI

Chartered Accountants

(CA. Satyaprakash Agrawal)

Partner

Membership No.:427861

FRN No : 012609C

Place: Shivpuri

Date 02.12.2020

We hereby confirm and authenticate the correctness of the above Receipt & Payment A/c

For: Nagar Parishad , Badarwas

CMO

**NAGAR PARISHAD
BADARWAS, DISTT SHIVPURI (M.P)**

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDING 31st MARCH 2020

LIABILITIES	AMOUNT (Rs.)	ASSETS	AMOUNT (Rs.)
ADMINISTRATIVE EXPENSES		TAX REVENUE	
Advertisemnet Expenses	₹447,416	Property Tax	₹1,124,492
Electricity Bill	₹983,559	Sametik Kar	₹478,153
Deisel Expenses	₹214,232	Shiksha Upker	₹36,461
Bank charge	₹660		
Stationary & Priniting Expenses	₹45,703	ASIGNED COMPENSATION	
Cleaning Pestisides Expenses	₹64,280	Grant from Chungi Chati	₹17,300,005
Vechel rent	₹60,562		
Legel fees	₹89,000	RENTAL INCOME	
Salary	₹17,037,020	Rents	₹49,104
Festival exp	₹94,800		
Repairs	₹509,284	FEES & CHARGES	
Water Tankers	₹4,165,303	Asthai Vasuli	₹335,350
Sarv Siksha Abhiyan	₹305,000	Bazar bethak	₹107,500
Tent and Other Expenses	₹29,000	Water Tax	₹181,770
Heath Expenses	₹759,951	Tender fees	₹184,450
Other Expenses	₹428,314	Swachta kar	₹20,000
Profit or Loss as per Income	-₹4,636,578.12	Vived	₹613,051
Expenditure A/c		Vikash suik	₹114,519
		INTEREST EARNED	
		Interest on Saving A/c and FDRs	₹52,651
TOTAL (Rs.)	₹20,597,506	TOTAL (Rs.)	₹20,597,506

AS PER OUR REPORT OF EVEN DATE ANNEXED

For: LUNAWAT & SOMANI
Chartered Accountants

(CA. Satyaprakash Agrawal)
Partner

Membership No.:427866

FRN No : 012609C

Place: Shivpuri

Date 02.12.2020

We hereby confirm and authenticate the correctness of
the above Income & Expenditure A/c

For: Nagar Parishad , Badarwas

CMO

**NAGAR PARISHAD
BADARWAS, DISTT SHIVPURI (M.P)**

NOTES TO THE ACCOUNTS ANNEXED TO AND THE FORMING PART OF THE AUDIT REPORT FOR
THE YEAR ENDED 31.03.2020

ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS
SIGNIFICANT ACCOUNTING POLICIES

a. **BASIS OF ACCOUNTING:**

Financial Statement are prepared on CASH Basis

b **PROVISION FOR EXPENSES**

assessee has explained to us that provision for all the expenses has been made except those are mentioned Below in the notes on accounts

c **ACCOUNTING STANDARDS**

The Assessee is advised to follow all the statements on accounting standards issued by the Institute of Chartered Accountants of India

d **Contingent Liabilities**

Contingent Liabilities are generally not provided for in the Accounts

II. NOTES TO THE ACCOUNTS :

- 1 Test basis method has been adopted in suitable items and accounts.
- 2 Voucher in respect of some petty expenses have not been furnished to us. However it has been explained to us the legitimate needs of the business and the line of trade in which the assessee deals.
- 3 All the bank balances have been taken as per books of accounts and are subject to confirmation/reconciliation.

AS PER OUR REPORT ATTACHED

For: LUNAWAT & SOMANI

Chartered Accountants

(CA. Satyaprakash Agrawal)

Partner

Membership No.:427861

FRN No : 012609C

Place: Shivpuri

For: Nagar Parishad , Badarwas

CMO